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Michelle Steel: Reagan Revolution's lessons apply today

By **MICHELLE STEEL** / CONTRIBUTING WRITER

In the summer of 1981, at his beloved ranch in the Santa Ynez Mountains above Santa Barbara, President Ronald Reagan signed legislation that cut income taxes, capital-gains taxes and business taxes, unleashing nearly two decades of unparalleled economic growth and opportunity. We would do well today to learn from that victory.

Reagan, who would have been 103 years old on Feb. 6, was able to achieve the goals of his "revolution" because he had knowledge that seems to be sorely lacking in the halls of power today – both in Sacramento and in Washington, D.C.

He knew growth and opportunity were not created by government or the special interests who seek its favor but, as he said in his first inaugural address, by "a special interest group that has been too long neglected."

He was talking about the "men and women who raise our food, patrol our streets, man our mines and factories, teach our children, keep our homes and heal us when we're sick – professionals, industrialists, shopkeepers, clerks, cabbies and truck drivers."

President Reagan knew that government was supposed to work for "We the people" not the other way around. Yet a top federal income tax rate at the time near 70 percent, and a government that, year after year, spent more than it took in, was distorting economic decisions, penalizing achievement and "mortgaging our future and our children's future for the temporary convenience of the present."

He was determined to act.

The 1981 tax cut plan was conceived in the 1970s by New York Congressman Jack Kemp and Delaware Sen. William Roth. Kemp and Roth modeled their legislation on the tax cut of 1964, originally championed by President John F. Kennedy, assassinated in November 1963.

President Kennedy's proposal for across-the-board tax cuts – the most sweeping since the 1920s – once enacted, led to strong economic growth, as he had envisioned, and even to higher income tax revenue, especially from Americans in the top tax brackets. According to a congressional Joint Economic Committee report, “Revenues from the top four income classes jumped between 45 percent and 80 percent.”

Rep. Kemp and Sen. Roth saw that Americans once again needed to take similar action to revive our economy by reducing the suffocating effects of the tax system. And President Reagan agreed.

As Brian Domitrovic noted recently in an issue of the Cato Policy Report, “The great Reagan tax cut of 1981 stands as one of the most successful policy initiatives of modern American history.” And, importantly, it didn’t kill the government.

Just as revenue increased after the Kennedy tax cuts, the flow of money to the government increased again after the Reagan cuts, because lower tax rates allowed businesses and individuals to focus their creativity and ingenuity on growth and innovation instead of on schemes to shelter their income from taxes or get special treatment from the government.

What the Reagan tax cuts did was allow the private economy to surge forward and expand ahead of the level of government spending.

By the time he delivered his farewell address in 1989, President Reagan was able to boast of a new confidence in America. “We the people” once again tapped into economic potential that had stagnated in the 1970s, created 19 million new jobs leading into the 1990s and paved the way for the technological revolution we almost take for granted today.

The lesson here is especially important in California. Our state has fallen so far from our soaring heights that record-high state spending, tax-hike funded surpluses, high unemployment and abysmal growth are considered a “comeback.”

In his first inaugural address, President Reagan said, “It is no coincidence that our present troubles parallel and are proportionate to the intervention and intrusion in our lives that result from unnecessary and excessive growth of government.” He found a solution that sparked a revolution of growth and opportunity.

It’s not too late for us to do the same.

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